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## **International relationships and resilience of New Zealand SME exporters during Covid-19**

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# International relationships and resilience of New Zealand SME exporters during covid-19

## Abstract

*Purpose of this paper:* This paper aims to empirically investigate how SMEs have engaged with international network partners during covid-19 and how the crisis has changed network relationships and resilience depending on pre-covid relationship strength and, secondarily, on opportunity outlook in a market.

*Design/methodology/approach:* The paper draws on 14 qualitative interviews with managers of New Zealand SMEs from diverse industries and four with industry experts. Rather than generalization, the aim of this exploratory paper is to identify contingency factors, which, under duress, strengthen or break business relationships.

*Findings:* Four main patterns emerge from the data, with respect to how SMEs engaged with network partners depending on the nature of their pre-pandemic relationships and the extent to which their markets had been affected by the pandemic. During crisis, weak ties either break or remain weak, forcing firms to create new, potentially opportunistic, relationships. Strong ties increase resilience, even under a negative outlook, as network partners support each other, including through the development of new ties. Strong ties can also accelerate business model transformation.

*Originality:* The paper is an early study on how weak and strong ties influence SME resilience during crisis.

*Research limitations/implications:* Future large-scale research is needed to test the generalizability of our findings.

*Practical implications:* Our findings indicate lessons for business-continuation management and future preparedness for major disruptions. Specific insights may help stimulate managerial action to accelerate contingency planning and policy to support SMEs.

**Keywords:** Crisis, covid-19, cross-border relationships, weak/strong network ties, resilience, exporters, SMEs, New Zealand, qualitative empirical study, pattern matching

Paper type: Research paper

## 1 Introduction

The covid-19 crisis has put the resilience of many small and medium-sized enterprises (SMEs) around the world to the test, as they have been forced to adapt to the pandemic-induced changes and adjust their business models swiftly in order to survive. This rapid and forced transition has held many challenges for SMEs. This is because they tend to be more vulnerable to external shocks due to resource constraints and a limited capacity to plan for crisis events (Herbane, 2013; Smallbone et al., 2012). Nevertheless, due to their adaptability and flexibility, SMEs often demonstrate remarkable resilience (Smallbone et al., 2012).

The aim of this research is to explore two research questions: (1) *How have SMEs in New Zealand engaged with international network partners during the covid-19 crisis?* and (2) *What connection exists between SMEs' resilience and the way they have engaged with those partners?* The role of social capital and network relationships is well documented in the literature in the context of both domestic and international markets (Johanson and Vahlne, 2009; Kurt et al., 2020; Yamin and Kurt, 2018). Network partners are critical to the successful internationalization of SMEs, in enabling market learning (Johanson and Vahlne, 2009). By extension, network relationships can be expected to play an important role in crisis situations. This is supported by evidence from the case of the magnitude 6.3 earthquake that caused 185 deaths and significantly damaged New Zealand's second-largest city, Christchurch, in 2011. The findings indicate that the ability of firms to draw on network resources in a post-natural-disaster environment can mitigate the negative impacts of the external disruption (Battisti and Deakins (2015). However, networks themselves are susceptible to external shocks (Ponomarov and Holcomb, 2009). Therefore, it can be expected that a global crisis such as the covid-19 pandemic (Wang et al., 2020), with its unprecedented lockdowns, border closures, and the ensuing strain on supply chains, will have affected SMEs' cross-border network relationships. The supply chain literature recognizes that even small events can disrupt a network (Kim, Chen, and Linderman, 2015), or even bring about the demise of network relationships, with serious consequences for their competitiveness (Pettit, Fiksel, and Croxton, 2010). However, the extent and nature of the pandemic's impact on SMEs' cross-border network relationships is yet to be explored.

We chose New Zealand as our empirical context for several reasons. As a small, open economy, the country has been a pioneer of free trade and promoted the internationalization of its SMEs (Fiedler, Fath, and Whittaker, 2020). Its geographical distance from other

countries, as well as its dependence on trade<sup>1</sup>, makes it vulnerable to shocks to the global economy. This, together with the island nation's swift closure of its borders in reaction to the pandemic, makes it an interesting context for studying empirically how SMEs responded under these extraordinary circumstances. To answer our research questions, we conducted 14 interviews with managers of SMEs and four with industry experts.

## 2 Literature review

In general, there is a strong focus in the international business literature on the importance of building and maintaining relationships in foreign markets, for overcoming the liabilities of foreignness and outsidership (Fiedler, Fath, and Whittaker, 2017; Johanson and Vahlne, 2009; Schweizer, 2013) and thus enabling international growth (Chetty and Campbell-Hunt, 2003). For SMEs in particular, building relevant in-market network relationships is a key factor for succeeding in international markets, since they have fewer resources at their disposal than their larger counterparts (cf. Acs et al., 1997; Pezderka and Sinkovics, 2011). By building network relationships, they can gain access to market knowledge that allows them to compete successfully in unfamiliar environments (Coviello and Munro, 1997; Kurt et al., 2020). In their revised Uppsala model, Johanson and Vahlne (2009) highlight the importance of the mutual commitment of the internationalizing firm and its partners. In a similar vein, Kalinic and Forza (2012: 704) find that traditional SMEs can speed up their internationalization process if they demonstrate a specific strategic focus on “the creation of direct and close relationships at local level”. However, being part of a network physically or socially does not equate to building fruitful relationships that facilitate market learning (cf. Fiedler, Fath, and Whittaker, 2017; Richardson, Yamin, and Sinkovics, 2012).

Looking at non-crisis times, Fiedler, Fath, and Whittaker (2017) investigate the role affective and cognitive trust play in the internationalization of SMEs into unfamiliar markets. They find that the most effective way to obtain market knowledge is to engage in shared goal setting with the business partner. Affective or cognitive trust on their own may not produce market learning (Fiedler, Fath, and Whittaker, 2017), and thus developing relationships with mutual commitment requires time, as overcoming the liability of outsidership can be a lengthy and costly process (Johanson and Vahlne, 2009). Indeed, given its difficulty and

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<sup>1</sup> <https://www.mfat.govt.nz/en/trade/nz-trade-policy/>

subtlety, Schweizer (2013) proposes that SMEs may not recognize that they are operating under the liability of outsidership. Therefore, they may not take any steps to overcome it. However, if they become aware of the liability, they may respond in different ways. If they lack the resources or capabilities to address it, they will remain inactive. Another strategy is to leverage current networks or, if they have sufficient resources, they may dedicate them to the development of new networks to overcome their liability of outsidership (Schweizer, 2013). In addition to the variety of possible pathways for addressing this issue, there can also be significant variations in the strength of inter-firm relationships that, in turn, will have an impact on the extent to which they can be leveraged (cf. Granovetter, 1973).

Further, in the context of a crisis, foreign firms may face more significant challenges than their domestic counterparts, as they may not be able to rely on institutions or actors in the host country for support (Dhanesh and Sriramesh, 2018; Evenett, 2019). At the same time, crisis often brings about new business opportunities. However, these will necessitate learning about the market and may create a range of uncertainties about the relevance and future goals of existing relationships (Chung, Lu, and Beamish, 2008). Moreover, a crisis may challenge the sustainability of the business and the existing commitments of network partners as returns on past investments made together towards a shared goal become more uncertain. Additionally, a crisis that challenges existing relationships can be expected to test the resilience of SMEs in international markets.

Although there are many definitions of the concept of resilience, in this study we follow Ates and Bititci (2011), who define organizational resilience as “the ability to anticipate key opportunities and events from emerging trends, constantly adapting and changing, rapidly bouncing back from disaster and remaining stable in a turbulent environment”. In line with this definition, resilience can be seen as a capacity, enabling organizations to adapt to external pressures (Wildavsky, 1991). It is frequently intertwined with the managerial capability to identify challenges resulting from external disruption, and managers’ resourcefulness in setting priorities and mobilizing resources in their response (Sullivan-Taylor and Branicki, 2011). The global crisis caused by the covid-19 pandemic has shifted market dynamics. Therefore, firms are required to be responsive in order to successfully adapt to these changing market realities.

On the one hand, in-market networks can stabilize firms and shore up resilience when they are under threat from crisis. Specifically, partners in foreign markets might bolster the resilience of SMEs in international markets during a crisis by providing knowledge about

new opportunities via two main mechanisms. First, experiencing a crisis that threatens to block opportunities for both the internationalizing SME and the in-market partner may result in the joint exploration of new opportunities and the further strengthening of trust in the process. There is evidence that working together on overcoming a crisis – which itself is a shared goal – increases trust as the partners in the collaboration may feel a renewed commitment to work jointly on innovative solutions (Bstieler, 2006). Applied to the context of the internationalization of SMEs, this means that a crisis might strengthen trust, which would induce in-market partners to further share specific market knowledge that is often critical for success (cf. Johanson and Vahlne, 2009). Second, a crisis might act as a crucible, creating the potential to build new relationships. This is because businesses whose prior relationships break down due to the crisis will need to search for new opportunities and partners in order to survive.

In this vein, building on Uzzi (1997), SMEs may need to maintain a mix of strong and weak ties during a crisis in order to achieve market learning for adaptability - strong enough to engage in joint problem solving in the face of adversity but loose enough to give them room to pursue new opportunities independently. With respect to strong ties, findings from studies of recovery following disasters such as Hurricane Katrina in the southern US in 2005, Japan's Kobe (1995) and Tokyo (2011) earthquakes and the Indian Ocean tsunami of Boxing Day 2004 suggest that strong social capital, as well as coordinated, cooperative action, is key to recovery (Aldrich, 2012; Kerr, 2018). In a similar vein, van der Vegt et al. (2015: 971), citing Stevenson et al. (2014), observe that, after the 2010–2011 New Zealand earthquakes, “businesses with strong pre-existing organizational collaboration networks were better able to access support and organize themselves than those that did not have such networks in place”. Chamlee-Wright (2013) refers to social exchanges in close networks pre-disaster as being routinized, and to post-disaster spill-over as “tit-for-tat reciprocity”, or generalized reciprocity. Sullivan-Taylor and Wilson (2009) also find that a joined-up government approach to business continuity and recovery was key in post-9/11 UK to addressing the repercussions of the attacks on the US. Extrapolating from these post-disaster study findings, it can be expected that relationships characterized by strong pre-crisis personal trust may be more important for maintaining the resilience of SMEs than those with low trust. By contrast, the role of weak ties under crisis conditions is less clear. However, there is evidence suggesting that weak ties in business networks can be leveraged to gain information about opportunities and other network resources (cf. Kurt et al., 2020) under non-crisis conditions.



On the other hand, relying on foreign market partners might also have its drawbacks during times of crisis (Welter, 2012). Faced with an economic downturn, on the home end of the international partnership, exporters may withdraw and turn inward, deciding to reduce the uncertainty and complexity from abroad by shifting their focus from international markets back to their domestic market. On the partner's end, in pursuit of their own survival, the foreign partner may choose to act against the interests of the internationalizing SME (Cavusgil, Deligonul, and Zhang, 2004; Wu et al., 2007). For instance, they might diverge from their pre-crisis strategic direction, precipitating a breakdown of inter-firm trust. This in turn may lead to a complete loss of business or at least make doing business in the future significantly more difficult (Welter, 2012). Further, the disruptions may increase the dependence on host-country partners that, in turn, may cause a loss of control under the crisis, at a time when maintaining control might be most important (Sarasvathy and Dew, 2019). In line with this reasoning, Branicki, Sullivan-Taylor, and Livschitz (2018) propose that SMEs often require tight control over the opportunities pursued, in order to withstand the pressures resulting from crises.

Like tie strength, the degree of trust plays an important role in how inter-firm relationships evolve in a crisis situation. The relevance of high personal trust for maintaining control over a business opportunity in a foreign market must be examined against the background of psychic distance. This can be defined as general uncertainty about a host country due to the perceived differences between it and the home country (Yamin and Sinkovics, 2006). Differences in language, culture, and the perceived importance of personal trust in developing business opportunities, are all part of the psychic distance between two countries (Zaheer and Zaheer, 2006). Paradoxically, higher psychic distance between countries encourages distant network partners to invest in market learning through their relationships (O'Grady and Lane, 1996). Studying the relationships of 314 Swedish SMEs and their most important foreign customers, Nordman and Tolstoy (2014) demonstrate that psychic distance enhances market learning since business partners are more inclined to make specific efforts to learn from the relationship when they know the partner is from a psychically distant market. Applied to the present study, this means that New Zealand SMEs will be more likely to learn from trusted partners in psychically distant markets, such as markets in Asia, than from those in psychically closer markets, such as other Anglo-Saxon countries. At the same time, research emphasizes the importance of trust for doing business in Asia (Witt and Redding, 2013), whether one approaches it from psychically similar or

dissimilar roots. As a result, Asian countries are often seen as high-trust business cultures, where building personal trust is frequently necessary to navigate institutional voids or a strong business tradition; additionally, this means that Asian business partners are more used to communicating within a strongly trusting network. Hence, the importance of high-trust relationships during the covid-19 crisis should be higher in Asian markets for New Zealand SMEs. It is against this background that our empirical study will explore how strong and weak pre-covid-19 relationships with international partners shaped the resilience of New Zealand SMEs.

### **3 Method**

We employ an exploratory, qualitative research design with a bottom-up partial pattern-matching logic (Sinkovics, 2018). Bottom-up partial pattern matching in exploratory studies is best suited to situations where it is challenging to formulate a nuanced list of expected theoretical patterns based on the existing literature and match them to the observed patterns in the data. In our case, while there is evidence in the literature that network relationships are important for firm internationalization (e.g. Johanson and Vahlne, 2009) as well as for post-disaster business continuity (cf. Battisti and Deakins, 2015), there are a number of unknowns introduced by the unique nature of the global covid-19 crisis that call for an inductive process (cf. Sinkovics, 2018). In the first instance, the pattern match occurs between the empirical patterns that emerge from the data and the investigators' mental models, thus aiding the theorizing process (cf. Gehman et al., 2018). In the second step, we connect the observed patterns back to the literature.

The context of our study is New Zealand. This small, isolated economy relies heavily on exports and imports. Notably, international tourism, international education and primary industries depend on the flow of goods, services and people across borders. New Zealand is also a nation of SMEs: 97% of businesses are SMEs, according to the standard national measure of having fewer than 20 employees (Sullivan-Taylor and Livschitz, 2016). However, for this study, we follow the OECD definition, by which SMEs are defined as businesses of up to 250 employees. We can expect SMEs to exhibit both special vulnerabilities and certain advantages in engaging with international markets (Sullivan-Taylor and Livschitz, 2016).

We applied theoretical sampling. Firstly, we aimed to obtain a sample of exporting SMEs from diverse industries. We acknowledge that the covid-19 context will have posed

both challenges and opportunities for existing industries, resulting potentially in both net winners and net losers. Certain New Zealand food exporters, such as businesses in dairy and horticulture, have experienced increased demand since covid-19 began, whereas others, including businesses in the seafood industry, have experienced sharp declines. This is partially related to the heightened cost of airfreight, which affects certain industries more than others (Mainfreight, 2020). It can be expected that, in declining industries, relationships might be more prone to break down, whereas in growing or stable industries, relationship might be easier to maintain or build. Also, drawing on diverse industries allows for more robust theory building (Santos and Eisenhardt, 2009). Secondly, it was important for our inquiry that we include SMEs with both strong and weak pre-covid-19 relationships. Thus, our sampling was deductive, building on existing theory recognizing that weak and strong relationships lead to different network dynamics (cf. Uzzi, 1997).

We drew on the existing contacts of two of the authors who regularly offer workshops in a network organization for exporters. We conducted 14 interviews with managers of New Zealand based SMEs. We focused on how exporting SMEs leveraged their network relationships in relation to marketing and in-market channels because, in such upstream value creation activities, trust is often seen as a critical resource (Gölgeci and Kuivalainen, 2020), bringing the role foreign network partners play in resilience to the fore. To further contextualize our study, and triangulate our findings, we also conducted four interviews with industry experts. Table I shows some key characteristics of the businesses that we included in this study, as well as the emerging patterns in key dimensions of interest.

Interviews were conducted via Zoom during May – June 2020. We used Zoom because, during New Zealand's covid-19 lockdown, it was not possible to conduct interviews in person. Also, we realized that Zoom interviews worked very well for our participants since that medium afforded more flexibility for identifying suitable dates and times for the interviews. To ensure consistency, two researchers took part in each interview. We used a semi-structured interview guideline for this research. With one exception, the interviews were recorded and transcribed.

We asked the participants to provide us with background information about their business, their assessment of the market outlook in international markets for different opportunities, and their international business network. Interviews therefore focused on their most important business partner(s) for their key market(s) before covid-19. We also asked about the nature of their relationships and how these had changed during covid-19. Finally,

we asked participants about the part their business partners played in maintaining resilience. Based on their answers, and building on our definition of organizational resilience, we evaluated their capacity to adapt their SME to the market dynamics produced by covid-19, to weather turbulence, and to sustain market opportunities. We include the interviews' assessments of the market outlook, their pre-covid-19 relationships, their relationships' strength during covid-19, and their resilience levels, in Table I.

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Insert Table I here

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#### **4 Findings**

Table I provides an overview of the patterns that emerged from the interview data in relation to our two research questions, namely how SMEs had engaged with their network partners during the covid-19 crisis and how the way they had engaged with those partners had impacted their resilience.

It is important to note that, due to their smallness, most SMEs in our study provided exclusive distribution rights to a network partner for a specific channel and product category in a given market, because balancing a wide network would have put too much strain on their internal resources and management capabilities. Exceptions to this are cases #2 and #11, which worked with competing network partners on a specific opportunity. In effect, this delivers a binary framework because it generally means that SMEs typically focus on a key partner for a specific channel, as opposed to a mix within a specific market. Nonetheless, the strengths of individual partnerships vary, leading to a combination of weak and strong ties in the SME network. Thus, depending on their pre-covid-19 relationships and market outlooks for specific products, SMEs may be present in more than one of the quadrants.

Our analysis uncovered four main patterns along two dimensions, that is, the strength of SMEs' pre-crisis relationships with their partners and the impact of covid-19 on their international market outlook. Similar to other crisis-related studies (e.g. Battisti and Deakins, 2015), we find that covid-19 has created both challenges and opportunities for SMEs. The emerging patterns reveal variations in the engagement strategies SMEs use to maintain their resilience, depending on where they are situated along the two main dimensions. Figure 1 depicts our findings. The remainder of this section describes the four overarching patterns.

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Insert Figure 1 here

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#### **4.1 Negative market outlook and weak pre-covid-19 relationships with network partners**

In the southwest quadrant, managers of SMEs which had weak pre-covid-19 relationships with their international network partners in a certain market and a negative covid-19-induced market outlook reported a disruption in communication with their partners. Specifically, their partners no longer replied to emails or picked up the phone, although they had not indicated to our interviewees that they could no longer collaborate. They explained that these relationships with these network partners were currently on hold. Those SMEs with multiple channel partners in one market, or partners in other international markets less affected by covid-19, had shifted their focus to their less affected channel partners. For one of the managers, the disruption, and potential breakdown, of their relationship had meant a need to withdraw from the international market and refocus on the domestic market (#2). His attempts to establish new network relationships during covid-19 had been unsuccessful because there was little flexibility at the end of the potential new partner.

*I had another inquiry for a different opportunity for an exports order (during covid). But the way they pitch their orders, it is difficult. They come back, we want this type of packaging and change the actual ingredients of the product. So, I've just come back and said, 'Well, that's not exactly what I can do...' Without guaranteed quantities, I can't justify to go with the initial costs. (#2)*

Overall, previous research has highlighted the importance of relationships for overcoming the effects of a crisis (Branicki, Sullivan-Taylor, and Livschitz, 2018). Our findings suggest that businesses that had had weak pre-covid-19 relationships with their network partners were struggling to maintain resilience in that market when faced with a market downturn. Thus, during the crisis, these existing weak network relationships were tested as new goals emerged and uncertainty was heightened (Chung, Lu, and Beamish, 2008). When the relationships broke, the businesses were either forced to pursue opportunities in less affected markets, or attempt to forge new relationships, which was not always feasible. In the absence of support from network partners, businesses turned to internal restructuring, including cutting non-essential costs and redundancies. They furthermore attempted to collect outstanding money from clients and applied for New Zealand government subsidies. In some cases, they also took personal pay cuts. To illustrate, #2 reflected that his salary was now close to the minimum wage: “*things have become very*

*tough .... Yeah, I could just forget about this, close down shop and go and get a job” (#2).* Thus, overall, managers with weak covid-19 network relationships and a negative market outlook were struggling to adapt their business models to the changing market trends and so demonstrated low resilience.

#### **4.2 Negative market outlook and strong pre-covid-19 relationships with network partners**

In the northwest quadrant, for managers operating in declining markets (negative opportunity outlook) but with strong network relationships, a somewhat different pattern emerged. These firms were also engaging in cost savings to maintain a positive cash flow, like those in the southwest (weak and negative) quadrant, and some of the managers even reported a reduction in their commitment to markets with the most negative outlooks. In those cases, they had shifted their focus to other channels and thus reduced communication with their network partners in those affected markets (see bottom row of boxes). However (and as shown in the top row), the SMEs with a longer-term orientation had maintained communication with their network partners to ensure the revival of those markets at a later date. To maintain or increase goodwill and trust, they were providing some form of support, even if only symbolic. By thus keeping in contact and demonstrating solidarity, some of our interviewees reported being able to leverage their strong existing ties to either maintain their position in the market or pursue a new opportunity. To illustrate, one manager explained how he had leveraged his existing network relationships to build new ones in a market that had not been part of his strategic focus prior to covid, but that now provided opportunities for diversification and growth: *“Well, so we're building new relationships but we are doing that through connections from our relationships, okay. It's all connected...we bumped up the Asian markets from de-emphasize to, you know, nurture and maintain” (#8).* Further, this particular interviewee had turned to his larger China-based business partner, with whom a *“long-term, professional relationship”* had been established, for assistance with obtaining an extended payment term. This had helped them sustain a positive cash flow. Furthermore, two of our case companies had successfully leveraged their strong pre-covid relationships, to pivot into a market with a positive outlook (see 4.3 for more details of these cases, #3 and #14). Thus, though the market outlook was negative in this quadrant, overall, managers with strong pre-covid relationships were managing to adapt and change their SMEs in response to the turbulent market shifts produced by covid-19, thus showing resilience.

### 4.3 *Positive market outlook and weak pre-covid-19 relationships with network partners*

In the southeast quadrant, SMEs operating in markets with a positive market outlook but weak pre-covid-19 relationships with their business partners presented different patterns again. First (and as shown in the top row), two managers (#4 and #9) in our sample were taking an opportunistic approach to developing new network relationships during covid-19, while reducing commitments to existing partners. In one case, the network partner was a large multinational corporation (MNC). In the other case, the business relationship had been established during the crisis to pursue a specific opportunity. Both of these businesses believed their business opportunities to be promising. They reported that they were in the process of rethinking and strengthening their business models post covid-19. However, in both cases, the owner-managers regarded the partnerships as temporary and transactional, and thus remained willing to cut the partnerships loose, or to take an opportunistic approach.

One of these two managers explained that their large, corporate business partners had wanted to use the SME's intellectual property (IP) in their production line during the covid-19 crisis. However, he had declined. He explained that he was not willing to make sacrifices to get a deal with a large company and thus jeopardize the future strategic flexibility of his company's IP: *"It's not our opportunity and thus, we pass ... there was ... was almost a bit of a shock at that point"* (#9). The New Zealand business had refused the proposed deal. The other manager explained that his new B2B partner, who had responded to the crisis by building an online presence overnight, had shared detailed end-consumer data with him, which he judged to be *"unprofessional"* (#4). While he did not see a long-term relationship evolving, he was taking a pragmatic approach, maintaining the relationship in order to obtain end-consumer data to exploit an opportunity in the B2B market. These two examples show that some managers have taken the opportunity to rethink their approach during covid-19, and have focused on their own success rather than partnerships, taking an opportunistic approach. However, it is important to note that these two SMEs had acted differently towards partners with whom they had strong ties, actively supporting these overseas partners.

In some instances, the data analysis also revealed a disruption to, and potential breakdown of, communication for managers operating in markets with a positive outlook but weak relationships. In common with some SMEs in the southwest quadrant, who had likewise begun with weak relationships, these businesses had found that their business partners no longer answered emails or phone calls, disrupting their business model with little or no explanation. In some cases, the relationships were weak due to having only recently

been established. In two other cases, the managers had only lately joined their SMEs to further develop opportunities in international markets. They thus lacked strong personal relationships with the overseas network partners. Interestingly, these two were seasoned exporters, one of whom had won export awards for a previous business, while the other had significant international experience. Despite having a product category in high demand in overseas markets after the outbreak of covid-19, the weak business relationships meant that strong resilience was not fostered during the crisis. Thus, even if the market outlook is positive, weak relationships can reduce a firm's resilience (as shown in the top row).

Another two managers had perceived new market opportunities due to covid-19, in terms of either a new distribution channel (#3, Product 2), or a new market (#14). These managers had faced similar challenges in that their pre-crisis markets had been negatively impacted by covid-19 and they had lost a significant stake in those markets. However, by leveraging existing relationships and reconfiguring their business models, they had been able to enter markets with a positive outlook. Importantly their strong pre-covid-19 relationships in other channels had either facilitated links to potential new network partners (#14) or provided an entry into a new supply chain (#3). Furthermore, both managers were proactively pursuing new relationship links through either social media (#3) or digital networking opportunities, demonstrating in both instances a marked shift towards digital channels (#14). To illustrate, #14 described the digital shift as a “*healing panel (a new, mutually supportive partnership)*”, proving trust and showing that the exporter and their partner were “*willing to work through this together*”, which had transformed the business model:

*The US had been the main market; this has now shifted. This has brought a lot of new opportunities in terms of business partnerships...everyone was in the same boat. So we all had to develop new ways of communicating digitally. And from that there's been, you know, a lot of trust that's come out of it. I think people respect it. A lot of organizations have had to shift... I think it was a way to genuinely make connections with people. (#14)*

These two managers had acted very proactively to capitalize on new opportunities created by covid-19. They had reconfigured their existing internal resources as well as drawing on and leveraging resources from new external partners and tapping into new market opportunities, while maintaining their commitment or carefully reducing their commitment to their existing partners. This finding confirms the findings of Battisti and Deakins (2015) that the dynamic capability for managing resource integration during periods of crisis can be an



important antecedent of resilience. Both of these case companies had been able to avoid making redundancies. In fact, one of the businesses had even hired new staff during covid-19.

In summary, SMEs that had faced a positive market outlook for a specific opportunity had not necessarily remained resilient. Depending on their pre-covid-19 relationships, their resilience had varied; only SMEs reporting a very positive market outlook with growth opportunities had maintained resilience without strong pre-covid-19 relationships.

#### ***4.4 Positive market outlook and strong pre-covid-19 relationships with network partners***

In the northeast quadrant, SMEs in our sample that had had strong pre-covid-19 relationships and been operating in markets with a positive market outlook demonstrated a tendency to have increased communication and exchanged support with their international partners. The increased communication and engagement was facilitated by the use of information and communication technologies such as Zoom and WhatsApp. Interestingly, the main purpose of the frequent communication was not to exchange information about market changes. Instead, the emphasis was on further developing and strengthening the commitment and trust between business partners. The nature of the communication was becoming more personal over time. Inquiries after the health and well-being of their business partners and their families were frequently reported. Managers also stressed the importance of showing an interest in how business partners were being affected by the crisis on a personal level, in particular for those based in markets hit harder by covid-19, like the US.

Managers in this quadrant of Figure 1 were also supporting each other (just as there was support between the New Zealand SMEs and their overseas partners) during the crisis to adjust to the new market realities. For example, one manager explained that they had produced digital assets for their partners, such as videos that educated overseas partners on how their product could be promoted to end consumers. They also said they were in the process of developing additional customized content for their business partners. The purpose was to facilitate communication around business opportunities in a casual way, aiming to educate and inspire business partners and provide content (#1). Another manager of a company selling pet food overseas explained that some of their business partners in the US had had to swiftly build an online channel due to covid-19. As his team was experienced in creating online content, they had supported their partners in developing an online presence, thus enabling their partners' business model reconfiguration (#10). In some cases, financial support had also been offered by those SMEs less affected by the crisis. For instance, one

owner explained that he had agreed to receive a slimmer margin for his sales, because “*we're all in this together*” and some of his more vulnerable business partners would otherwise have struggled with just “*staying alive*” (#4). Another reported, “*we moved all of our small suppliers... onto 14-day payment terms*” (#9).

While the overall network composition had not changed, some highlighted that the importance of individual partners had done, which in some cases had also enabled business model reconfiguration (#4 and #1). This had most notably been related to enabling stronger online engagement in the international market. For example, one of the businesses was no longer in a position to do in-market product demonstrations because physical venues were closed. It was, however, important for their buyers to see the physical product before they made a buying decision. Luckily, they had established a relationship with a business partner in the US who enabled them to send physical products to their customers for demonstration purposes, and return them if there was no fit. The New Zealand SME was using this service in combination with pre-recorded online educational presentations and live Zoom presentations, allowing them to continue their operations in the market. Overall, while some network partners had been more important than others for maintaining their resilience during the crisis, there seemed to be a consensus among exporters with a positive market outlook and strong pre-covid-19 relationships that their pre-covid-19 network partners had played a very important role in ensuring their business continuity. Furthermore, commitment to existing network partners and personal trust had been further strengthened by the process of supporting each other through these challenging times, demonstrating their resilience.

## **5 Discussion and conclusions**

Overall, our findings suggest that weak network relationships with little personal trust can become a liability in times of crisis, even if the market outlook is positive. In such cases, if the relationship breaks down completely, in the pursuit of new partners, firms may be forced to make do with temporary, opportunistic alliances to tide them over until the economy recovers. Furthermore, our data analysis uncovered a link between fundamental shifts in a firm’s business model and a compressed development of strong personal, or affective, trust in a time of crisis. On the other hand, our findings reveal that strong pre-crisis relationships on their own were not a sufficient condition for maintaining resilience in markets that were severely affected by covid-19. Nevertheless, while weak pre-crisis

relationships may break altogether, strong relationships, even in markets with a negative outlook, can be put on hold temporarily, without the loss of future business. In fact, even though some of our interviewees had deprioritized markets due to their loss of viability during the lockdown, they were still maintaining communications with their partners to ensure medium- to long-term recovery.

Not surprisingly, our analysis revealed that SMEs with strong pre-crisis relationships operating in international markets that had experienced a positive outlook during covid had been able to maintain their resilience. In these cases, the crisis had amplified the already-existing trust. Shared goals had swiftly been revised, building on the feedback from overseas partners about changing market opportunities. Market knowledge had thus been created by the observing of partners' changing behaviour and goal setting (cf. Fiedler, Fath, and Whittaker, 2017; Williams and Kumar, 2014) in this time of crisis. This had enabled SMEs to immediately engage in experiential learning without first needing to establish the rules of shared sensemaking. Given the very short window in which SMEs were able to take proactive measures, this pre-existing complementarity between partners proved to be an important antecedent of their resilience.

Overall, our findings are in line with the patterns emerging from post-disaster studies with respect to the importance of strong pre-crisis collaborative partnerships (De Vries and Hamilton, 2016). However, by differentiating explicitly between strong and weak pre-crisis network ties, we also provide a more nuanced understanding of how they shape SMEs' resilience under different market conditions. Beckman, Haunschild, and Phillips (2004) suggest that, under conditions of increased market uncertainty, firms tend to reinforce their existing networks. However, our study shows that, during the covid-19 crisis, this has only been the case where strong ties had been established pre-crisis. Our study further suggests that a crisis is not the time to turn weak ties into strong ties in international markets, since all firms are prioritizing their survival. As a result, they will be most likely to focus on their main markets and on their existing strong network ties. Succinctly put, weak ties, even in markets with a positive outlook, tend to remain weak or break during a crisis; strong ties might get stronger but we find no evidence of weak ties getting stronger. However, SMEs could build new ties by leveraging existing strong ties to gain introductions to potential new partners with whom there was no pre-covid-19 relationship.

Interestingly, our analysis does not reveal any noteworthy relative differences for cross-border relationships of greater psychic distance, such as with Asia. Previous studies

have shown that personal ties play an important role in early internationalization (e.g. Udomkit and Schreier, 2017) and periods of crisis (Branicki, Sullivan-Taylor, and Livschitz, 2018). Building on these findings, our study shows that shifting communications to more personal aspects was critical to strengthening ties and deepening trust with overseas business partners, irrespective of their distance. Thus, our study shows that, during a global crisis that is perceived by many as a threat to health, and potentially lives, personal communication and high levels of empathy are important mechanisms that strengthen business relationships. As such, the crisis has further strengthened existing personal ties in cases where they were already quite strong, which has in turn accelerated market learning during the crisis. Thus, in the present study, the crisis has provided a context in which personal trust could be further strengthened, creating potentially more robust relationships over time.

Nonetheless, forming new ties under a global crisis is not impossible either. Welter (2012) proposes that initiating new trust-based business relationships is often risky for SMEs. To some extent, risk stems from uncertainty about the capabilities and trustworthiness of potential business partners (Fiedler, Fath, and Whittaker, 2017). However, our study shows that a crisis may, under specific conditions, counterbalance such uncertainties, as firms with strong pre-crisis ties are deprioritized by their business partners due to strong external pressure to explore new opportunities. In this case, strong ties can be leveraged to form new ties. This is in line with the paradox pointed out by Granovetter (1973: 1378) that, while weak ties are *“indispensable to individuals' opportunities and to their integration into communities; strong ties, breeding local cohesion, lead to overall fragmentation.”* In other words, in a crisis, new ties in particular can be critical for accessing new information, as strong ties are likely to lead to knowledge duplication.

We are drawing on evidence from relatively small SMEs, with the majority of those in our sample having fewer than 20 employees, which results in some limitations. Due to their smallness, these SMEs tend to have a narrow focus on network relationships, often resulting in dyadic cross-border relationships. However, larger business networks are characterized by a web of relationships (Uzzi, 1997). Thus, our findings might not be applicable to larger businesses that foster cross-border relationships. Further research is needed to investigate the impact of covid-19 on larger businesses.

Although our main aim was not to generalize, our research has both managerial and policy implications. First, the results will help SMEs' managers to better understand how to engage with international partners to build resilient businesses post covid-19, and sustain

existing ones. Second, New Zealand is a small, open economy, heavily reliant on exports and on its SMEs. According to the government, over 600,000 of the population of 4.8 million are either directly employed in the export sectors or support these sectors (MFAT, 2020). Maintaining good trade relationships will therefore affect the socio-economic well-being of the country, and our results can inform New Zealand policy makers on how to extend and adapt their historic support for exporting SMEs under crisis. Our results show that increasing cross-border communication has been critical to remaining resilient, and SMEs have had to embrace digital channels to achieve this. Thus, strengthening the digital infrastructure and providing training to SMEs' managers on how to effectively utilize digital channels should be supported by the government to build resilience for the navigation of future crises.

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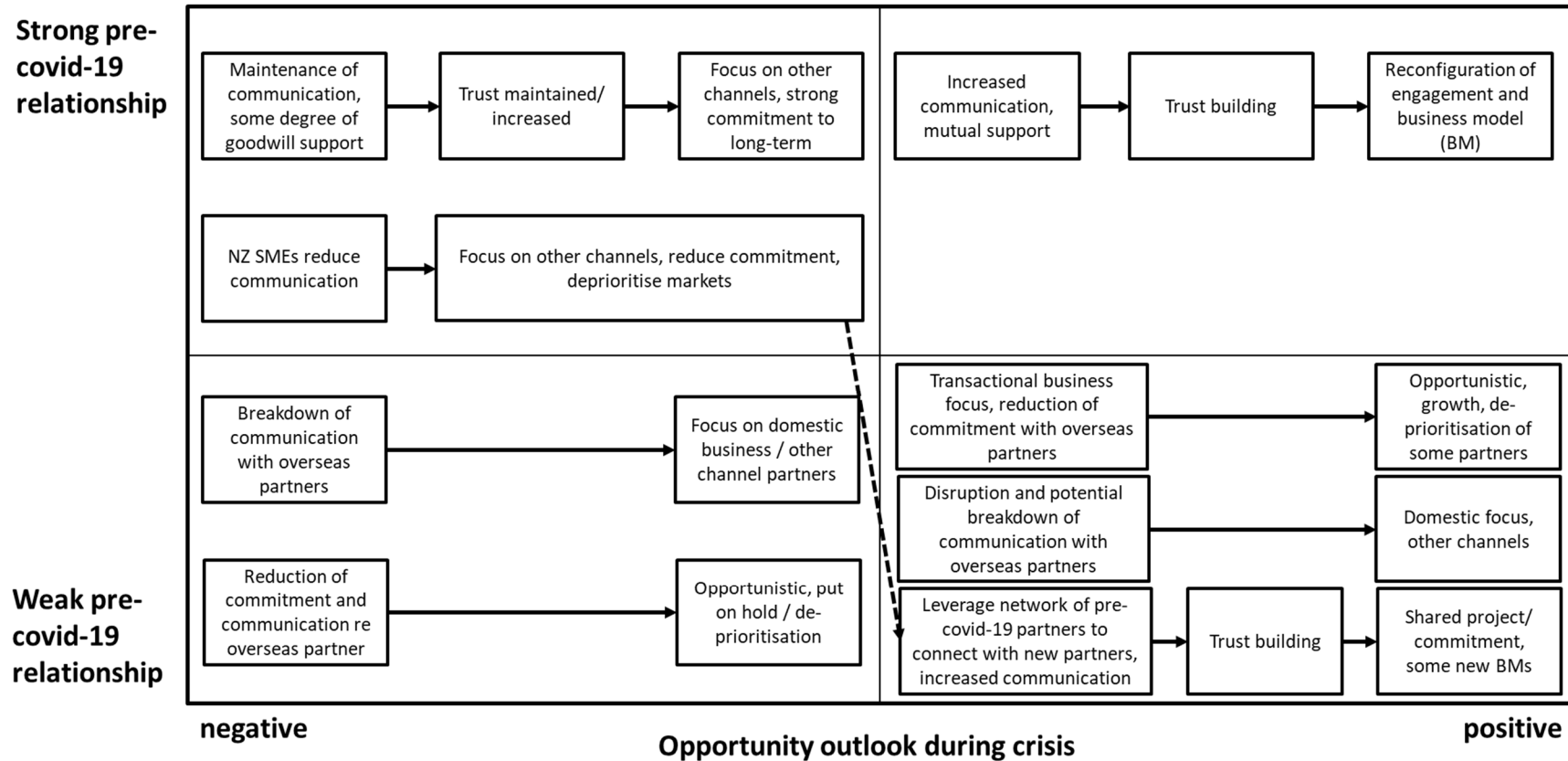
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7 Figures and tables

Figure 1: Interaction of weak/strong pre-covid-19 relationships and negative/positive opportunity outlook in a specific market



**Table I:** Sample firms' patterns of engagement and resilience

Case	No of staff	Key actions	Current objective	Specific market	Covid-19 impact	Pre-covid-19 relationship	Business relationships during covid	Current resilience
#1 Product 1: Home decoration/ furniture	21-200	Creation of digital content /promotional material; Frequent virtual meetings	International growth with modified business model (BM); Strengthen direct channels; Employ own staff in-market	<b>US channel partner 1:</b> channel 1, product 1	<i>Medium</i>	Personal relationship, strong	Personal, solidarity-driven with old partner	<i>Medium</i>
				<b>US channel partner 2:</b> channel 2, product 1	<i>High, negative</i>	Professional relationships, strong	Long-term potential with older partner, but currently no/very little business due to covid-19	<i>Low</i>
#2 Product 1: Food manufacturing	1-20	Reduction of salary Buy-out of partner	Focus on domestic market; Improve product offering; In future: enter Japan	<b>China channel partner 1:</b> channel 1, product 1	<i>High, negative</i>	Weak personal relationship	Superficial/ opportunistic, currently broken, communication has stopped	<i>Low</i>
				<b>China channel partner 2:</b> channel 1, product 1	<i>High, negative</i>	None	Superficial/ opportunistic, emerging partner makes unreasonable demands	<i>Low</i>
#3 Product 1: Transport and storage solution  Product 2: Home decoration/ furniture	1-20	Cash flow management; Product launch in new market; New partnerships Creation of new digital content; Hiring of new staff; Leverage existing network partners	Hibernate old BM; Grow new BM in domestic and US market	<b>US channel partner 1:</b> channel 1, product 1	<i>High, negative</i>	Personal relationship, strong	Long-term potential with old partners but currently no business	<i>Low</i>
				<b>US channel partner 2:</b> channel 1, product 2	<i>High, positive</i>	None	Focus on win-win, emerging partnership, professional relationship	<i>Medium</i>
#4 Product 1: Health products	1-20	Development of online channels New partnerships Support for old	Strengthen position in international market; Develop online channels; Develop	<b>Middle East channel partner 1:</b> channel 1, product 1	<i>Medium</i>	Personal relationship, strong	Personal/ solidarity-driven relationship with old partner	<i>Medium</i>

Case	No of staff	Key actions	Current objective	Specific market	Covid-19 impact	Pre-covid-19 relationship	Business relationships during covid	Current resilience
		partners	direct B2C relationships	<b>UK channel partner 1:</b> channel 1, product 1	<i>High, positive</i>	None	Emerging partnership with new partner: Opportunistic/temporary, focus on long-term growth for SME	<i>Medium</i>
#5 Product 1: Skincare	1-20	Rent reduction Reduction of staff salary (80%); Focus on domestic market; Apply for government support; Active contact	Focus on domestic market; Long-term: diversity in international markets.	<b>Australia channel partner 1:</b> channel 1, product 1  <b>EU channel partner 1:</b> channel 1, product 1  <b>US channel partner 1:</b> channel 1, product 1	<i>High, negative</i>  <i>High, negative</i>  <i>High, negative</i>	Professional partners, weak personal relationship  Professional partners, weak personal relationship  Professional partners, weak personal relationship	Opportunistic/long-term potential with old but currently reduction of business  Opportunistic/long-term potential but currently only little business  Opportunistic/short-term potential, old partners are not responding	<i>Medium</i>  <i>Low to medium</i>  <i>Low</i>
#6 Product 1: Industrial manufacturing	21-200	Increase contact; Stronger personal focus	Unchanged	<b>Global channel partner 1:</b> channel 1, product 1	<i>Low to medium</i>	Professional partners, personal relationship, strong	Stronger personal relationship with old partner	<i>Medium to High</i>
#7 Product 1: Health products  Product 2: Marketing consultancy	1-20	Increase contact; Stronger personal focus; Apply for government support	Develop stronger online focus; Collaboration with new partners	<b>EU channel partner 1:</b> channel 1, product 1  <b>EU channel partner 2:</b> channel 1, product 2	<i>Medium</i>  <i>High, negative</i>	Personal relationship, trust, strong  Emerging partnership	Stronger personal relationship with older partner  Partners currently stopped communicating, opportunistic or business struggling	<i>Medium</i>  <i>Low</i>

Case	No of staff	Key actions	Current objective	Specific market	Covid-19 impact	Pre-covid-19 relationship	Business relationships during covid	Current resilience
#8 Product 1: Fashion	1-20	Apply for government support; Rent reduction Reduction of staff salary (80%)	Diversify export markets short-term, Maintain customer relationship Survive 2020	<b>China channel partner 1:</b> channel 1, product 1	<i>Low</i>	Long-term, professional relations	Supportive, long-term with old partner	<i>Medium</i>
				<b>UK channel partner 1:</b> channel 1, product 1	<i>High, negative</i>	Personal relationship, strong	Supportive, long-term with old partner	<i>Low to medium</i>
				<b>Asia channel partner 1:</b> channel 1, product 1	<i>Medium</i>	Weak relationship	Short-term, opportunistic with new partners to survive	<i>Low to medium</i>
#9 Product 1: Fabric	1-20	Hiring of new staff; Enable working from home	Grow internationally Strengthen internal capabilities	<b>Global channel partner 1:</b> channel 1, product 1	<i>High, positive</i>	Professional relationship	Long-term, opportunistic, following high-potential opportunities	<i>Medium to high</i>
				<b>Global channel partner 2:</b> channel 2, product 1	<i>Medium</i>	Personal relationship, strong	Supportive, old partners	<i>Medium</i>
#10 Product 1: Machinery	21-200	Reduction of staff salary (80%); Cash flow management; Increase of contacts; Embedding digital platforms	Maintain position in international markets	<b>US channel partner 1:</b> channel 1, product 1	<i>Medium</i>	Personal relationship, strong	Supportive, long-term, old partners	<i>Medium to high</i>
				<b>UK channel partner 1:</b> channel 1, product 1	<i>High, negative</i>	Personal relationship, strong	Supportive, long-term; old partners	<i>Medium to high</i>
				<b>Australia channel partner 1:</b> channel 1, product 1	<i>Medium</i>	Personal relationship, strong	Supportive, long-term; old partners	<i>Medium to high</i>
				<b>EU channel partner 1:</b> channel 1, product 1	<i>Low to medium</i>	Personal relationship, strong	Supportive, long-term; old partners	<i>Medium to high</i>

Case	No of staff	Key actions	Current objective	Specific market	Covid-19 impact	Pre-covid-19 relationship	Business relationships during covid	Current resilience
#11 Product 1: Personal hygiene  Product 2: Health supplement	21-200	Stronger focus on digital	International growth, Deploy on the ground staff for all key market	<b>US channel partner 1:</b> channel 1, product 1	<i>Medium to high, negative</i>	Professional relationship	Professional, transactional; with old partners	<i>Medium to high</i>
				<b>Australia partner 1:</b> channel 1, product 1	<i>Medium</i>	Professional, long-term	Professional, transactional; with old partners	<i>Medium to high</i>
				<b>China partner 1:</b> channel 1, product 2	<i>Medium</i>	Personal relationship, long-term, strong	Supportive, long-term; with old partners	<i>Medium to high</i>
				<b>China partner 2:</b> channel 1, product 2	<i>Medium</i>	Newly established	Low trust, transactional; with emerging partners	<i>Medium to high</i>
#12  Product 1: Pet food	21-200	Stronger focus on digital content; Support weak partners overseas financially; Proactively obtain information	Achieve growth in international markets	<b>Australia channel partner 1:</b> channel 1, product 1	<i>High, negative</i>	Personal relationship, long-term, strong	Supportive, long-term; with old partners	<i>High</i>
				<b>China partner 1:</b> channel 1, product 1	<i>Medium to high</i>	Personal relationship, long-term, strong	Supportive; with old partners	<i>Medium to high</i>
#13  Product 1: Boat maintenance	21-200	Developed digital training platform; Frequent contacts; Wage subsidies for staff; Stay positive	Grow in international markets, strong commitment to existing partners, Maintain position as global leader	<b>US channel partner 1:</b> channel 1, product 1	<i>Low to Medium</i>	Personal relationship, strong	Supportive, long-term; with old partners	<i>High</i>
				<b>EU partner 1:</b> channel 1, product 1	<i>Medium</i>	Personal relationship, strong	Supportive, long-term; with old partners	<i>High</i>
				<b>Australia partner 1:</b> channel 1,	<i>Low to Medium</i>	Personal relationship,	Supportive, long-term; with old partners	<i>High</i>

Case	No of staff	Key actions	Current objective	Specific market	Covid-19 impact	Pre-covid-19 relationship	Business relationships during covid	Current resilience
				product 1		strong		
#14 K	1-20	Increase of communication; Improved communication Stronger personal focus; explored new partnerships; Leverage existing network partners	Maintain momentum	<b>Asia-Pacific channel partner 1:</b> channel 1, product 1  <b>US partner 1:</b> channel 1, product 1	<i>High, positive</i>  <i>High, negative to medium</i>	None or very weak links  Personal relationship, strong	Supportive, long-term; with old partners  Long-term potential with old partners but currently no business	<i>High</i>  <i>Low to medium</i>